

# Disciplinary Actions

## REPORTED FOR JANUARY

NASD® has taken disciplinary actions against the following firms and individuals for violations of NASD rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). The information relating to matters contained in this *Notice* is current as of the end of December 2002.

### Firm Expelled

**Centex Securities, Inc. (CRD #18493, Solana Beach, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was expelled from NASD membership. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that the firm engaged brokers in the securities business of the firm without proper registrations. In addition, NASD found that the firm, acting through individuals, sold penny stocks to public customers without complying with the procedural and disclosure requirements of Section 15(g) of the Securities Exchange Act of 1934. The findings also stated that the firm, acting through brokers, failed to disclose material information to public customers regarding compensation of a penny stock they received. NASD also found that the firm did not have an adequate supervisory system and procedures to reasonably ensure compliance with the penny stock rules, review for compliance with state registration requirements, or to ensure that necessary disclosures are made to registered representatives when soliciting clients to purchase particular securities. Moreover, the findings stated that the firm failed to establish, maintain, and enforce adequate written supervisory procedures, and failed to adequately supervise in the areas involving the sale of penny stocks, the registration of brokers in states, and the disclosure of material information in the solicitation of customers. Furthermore, NASD found that the firm entered into an agreement with promoters of a common stock to make a market in the security in exchange for compensation in the form of free-trading stock. (NASD Case #CAF020063)

### Firms Fined, Individuals Sanctioned

**C.J.M. Planning Corporation (CRD #5698, Pompton Lakes, New Jersey)** and **Joseph Charles Musumeci (CRD #821112, Registered Principal, Waldwick, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$55,000, jointly and severally. Musumeci was also suspended from association with any NASD member in any principal capacity for 14 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Musumeci, failed to establish, maintain, and enforce adequate written supervisory procedures regarding the variable annuity business. In addition, the findings stated that the firm, acting through Musumeci, failed to maintain customer account records for customers who had purchased units in an offering

and mutual fund shares. NASD found that the firm, acting through Musumeci, failed to maintain complete customer account and suitability information for customers who purchased variable annuity contracts. The findings also stated that the firm, acting through Musumeci, failed to comply with the Firm Element of NASD's Continuing Education Rule in that the firm failed to prepare a written needs analysis and training plan for 2000, and failed to maintain records documenting the content of its continuing education programs and completion of the programs by covered registered persons.

Musumeci's suspension began December 2, 2002, and concluded at the close of business on December 16, 2002. (NASD Case #C9B020082)

**First Security Van Kasper n/k/a Wells Fargo van Kasper, LLC (CRD # 7665, San Francisco, California), George Charles Balling (CRD #1715814, Registered Principal, San Francisco, California), and Peter Igor Zavialoff (CRD #1398390, Registered Representative, San Francisco, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was fined \$45,000, including disgorgement of \$11,961 in unlawful profits to NASD, and ordered to offer rescission or restitution, plus interest, to public customers who purchased unregistered securities from the firm. Balling was fined \$7,500, suspended from association with any NASD member in a principal capacity for 25 business days, and ordered to requalify by exam for the Series 24 license before again acting in a principal capacity. Zavialoff was fined \$5,000 and suspended from association with any NASD member in any capacity for seven business days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, while engaged in the distribution of stock to public customers, acted as an underwriter and, acting through registered representatives, sold unregistered securities to public customers. The findings also stated that the firm took volume and pricing instructions from a party with no authorization and, acting through Zavialoff, arbitrarily set prices for stock transactions and failed to obtain three quotes on a non-NASDAQ security when order tickets were presented for execution. NASD also found that the firm, acting through registered representatives, failed to disclose material facts during the offer and sale of stock such as the fact that the stock was neither registered nor exempt from registration; that an unauthorized third party was involved in the sale and pricing of the stock; that the prices given to some public customers were materially different from prices given to other customers who purchased the stock; and that the firm failed to disclose that it delayed the inputting and trade reporting of stock sales for several hours after customers agreed to purchase the stock. In addition, NASD found that Balling failed to reasonably supervise

the activities of registered representatives in their sale of unregistered securities to public customers, and failed to respond to a red flag that the security had no trading history when he approved the sale of a large volume of stock or to inquire as to the source of the stock and assess whether the stock was registered. Moreover, NASD found that the firm failed to establish and maintain written supervisory procedures reasonably designed to achieve compliance with federal securities laws, regulations, and NASD rules regarding the sale of unregistered securities.

Balling's suspension began December 2, 2002, and concluded at the close of business January 7, 2003. Zavialoff's suspension began December 2, 2002, and concluded at the close of business December 10, 2002. (NASD Case #CAF020054)

**Global Financial Group, Inc. (CRD #23958, Minneapolis, Minnesota) and Kevin Scott Miller (CRD #712204, Registered Principal, Plymouth, Minnesota)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and the firm and Miller were fined \$100,000, jointly and severally. Miller was suspended from association with any NASD member in any capacity for two years, barred from association with any NASD member in any principal capacity, and required to requalify by exam as a general securities representative prior to reassociating with any NASD member in any capacity. The fine must be paid before Miller reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Miller, in connection with a distribution of securities, bid for purchase, or attempted to induce any buyer to bid for or purchase, a covered security during the applicable restricted period in violation of Regulation M. The firm, acting through Miller, failed to establish a supervisory system to ensure that another supervisory principal was properly supervising Miller's management of the firm's underwriting activities. The findings also stated that the firm's supervisory procedures were deficient because they did not establish or provide any sufficiently clear identification of the person(s) responsible for ensuring compliance with Securities and Exchange Commission (SEC) Regulation M or Regulation M's predecessor, SEC Rule 10b-5; a statement as to what steps and reviews would be taken by the responsible person(s) to ensure compliance with these SEC rules; a statement as to how often the responsible person would conduct such reviews; and a statement as to how such reviews would be evidenced.

Miller's suspension began January 6, 2003, and will conclude at the close of business January 5, 2005. (NASD Case #C04020041)

## Firms and Individuals Fined

**Wolff Investment Group Incorporated (CRD #21930, New York, New York) and Patricia Ann Schaen (CRD #412379, Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$12,500, jointly and severally. The firm and another individual were also fined \$5,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through an individual, engaged in a securities business when the firm's net capital was below the required minimum and failed and neglected to provide notification that the firm's net capital was below the required minimum. The findings also stated that the firm, acting through an individual, failed and neglected to file an accurate FOCUS Part IIA report. NASD found that the firm, acting through Schaen, failed to timely file with NASD filings that were required to be reported under NASD Conduct Rule 3070(a). In addition, NASD found that the firm, acting through Schaen, failed and neglected to maintain records documenting that the firm completed an annual analysis of its training needs for compliance with the Firm Element of the NASD Continuing Education Requirements, and failed to maintain records documenting the content of a training program and completion by covered registered persons. (NASD Case #C05020057)

## Firms Fined

**Alex Moore & Company, Inc. (CRD #28062, Melville, New York)** submitted an Offer of Settlement in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it effected the transfer of funds from the accounts of public customers to the accounts of other public customers without their authorization. The findings also stated that the firm failed to preserve for a period of not less than three years communications from its public customers concerning journal entries whereby funds were transferred between its customers' accounts. (NASD Case #C10020073)

**Bear, Stearns Securities Corp. (CRD #28432, Brooklyn, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$30,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it issued confirmations as a result of effecting corporate debt securities transactions and municipal securities transactions on an agency basis to public customers of firms for which Bear Stearns provided clearing services, and the confirmations failed to reflect a yield-to-maturity that included the commission charged to the customer for the transaction. The findings also stated that some of the confirmations contained a yield-to-maturity calculation

more than five basis points away from the accurate yield-to-maturity calculation had the calculation correctly included the commission charged to the customer. (NASD Case #C10020115)

**BrokerageAmerica, LLC (CRD #47966, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit through the Automated Confirmation Transaction System<sup>SM</sup> (ACT<sup>SM</sup>) last-sale reports of transactions in NASDAQ National Market<sup>®</sup> (NNM<sup>®</sup>) securities; failed to designate through ACT last-sale reports as late; and failed, within 90 seconds after execution, to transmit through ACT last-sale reports of transactions in over-the-counter (OTC) equity securities. The findings also stated that the firm failed to report to ACT the correct symbol indicating whether it executed transactions in ACT eligible securities in a principal or agency capacity, and failed to report to ACT the correct symbol indicating whether the transaction was a buy, sell, sell short, sell short exempt, or cross for transactions in ACT eligible securities. NASD also found that the firm failed to include a legible time stamp indicating time of entry and/or execution on brokerage orders memoranda, failed to show the correct time of entry and/or execution on the memoranda of brokerage orders, and failed to synchronize its business clocks to a time source designated by NASD. In addition, NASD found that the firm failed to display immediately customer limit orders in NASDAQ securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each such security. (NASD Case #C10020117)

**Citicorp Investment Services (CRD #23988, Long Island City, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to file Uniform Termination Notices for Securities Industry Registration (Forms U-5) within 30 days of termination of the associated persons. (NASD Case #CLI020011)

**American General Equity Services Corporation f/k/a Franklin Financial Services Corporation (CRD #5435, Springfield, Illinois)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve

compliance with applicable securities laws, regulations, and NASD rules with respect to the handling of customer funds by the firm's registered representatives. The findings also stated that the firm failed to report customer complaints and a disclosure event, which violates NASD Conduct Rules 2110 and 3070. (NASD Case #C8A020080)

**Financial Links, Inc. (CRD #41392, Raleigh, North Carolina)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to submit required information to the Order Audit Trail System<sup>SM</sup> (OATS<sup>SM</sup>). The findings also stated that the firm failed to enforce its written supervisory procedures with respect to applicable securities laws and regulations concerning the OATS Rule. (NASD Case #CMS020225)

**First Tennessee Securities Corp. (CRD #46346, Memphis, Tennessee)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$13,000, and required to revise its written supervisory procedures with respect to trade reporting procedures for short-sell transactions. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed and failed to report short-sale transactions to ACT with a short-sale modifier, and failed to report municipal and inter-dealer trades to the National Securities Clearing Corporation (NSSC). The findings also stated that First Tennessee failed to provide written notification disclosing to its customer that transactions were executed at an average price and that it was a market maker in each security, and that, when acting as principal, the firm failed to provide written notification disclosing to its customer the correct reported trade price. NASD found that the firm failed to have written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations concerning the reporting of short sales, failed to adhere to and enforce written supervisory procedures requiring documentation of all of its supervisory reviews of short sales, and failed to require preservation of that documentation. (NASD Case #C05020056)

**Gerard Klauer Mattison & Company, Inc. (CRD #16686, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker in securities, it was a party to a locked or crossed market condition prior to the market opening; received a Trade-or-Move message in each instance through SelectNet; and, within 30 seconds of receiving such messages, failed to fill the incoming Trade-or-Move message for the full size of the message or move its bid down (offer up) by a quotation increment that would have unlocked/uncrossed the market. (NASD Case #CMS020205)

**Goldman, Sachs & Co., Inc. (CRD #361, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report fully to NASD its short-interest positions in securities. (NASD Case #CMS020229)

**Herzog, Heine, Geduld, LLC (CRD #2186, Jersey City, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$27,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker in securities, without making reasonable efforts to avoid a locked or crossed market by executing transactions with all market makers whose quotations would be locked or crossed, it entered bid or asked quotations in The NASDAQ Stock Market, Inc., which caused a locked or crossed market condition to occur in each instance. The findings also stated that the firm was a party to a locked or crossed market condition prior to the market opening and received a Trade-or-Move message in each instance through SelectNet, and, within 30 seconds of receiving such message, failed to fill the incoming Trade-or-Move message for the full size of the message or move its bid down (offer up) by a quotation increment that would have unlocked/uncrossed the market. (NASD Case #CMS020231)

**Janney Montgomery Scott LLC (CRD #463, Philadelphia, Pennsylvania)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker in securities, it was a party to a locked or crossed market condition prior to the market opening; received a Trade-or-Move message in each instance through SelectNet; and, within 30 seconds of receiving such messages, failed to fill the incoming Trade-or-Move message for the full size of the message or move its bid down (offer up) by a quotation increment that would have unlocked/uncrossed the market. (NASD Case #CMS020230)

**J.P.R. Capital Corporation (CRD #38056, Roslyn, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$10,000, and required to revise its written supervisory procedures concerning the short-sales (Bid Test) rule. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed short-sale transactions in NNM securities at or below the current inside bid when the current inside bid was below the preceding inside bid in each of the securities. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations concerning the short-sales (Bid Test) rule. (NASD Case #CMS020217)

**Lehman Brothers, Inc. (CRD #7506, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of the findings that it failed, within 90 seconds after execution, to transmit through ACT last-sale reports of transactions in NNM, NASDAQ SmallCap,<sup>SM</sup> and OTC Equity securities. NASD also found that the firm failed to report the correct time of execution through ACT in late, last-sale reports of transactions in NNM and SmallCap securities. The findings stated that the firm failed to report the correct prior reference times through ACT in reports of transactions in NNM and OTC Equity securities designated as “.PRP,” and failed to designate through ACT OTC Equity last-sale reports as late. In addition, NASD found that the firm incorrectly designated as “.SLD” through ACT last-sale reports of transactions in OTC Equity securities reported to ACT within 90 seconds of execution. (NASD Case #CMS020195)

**Olsen Payne & Company (CRD #15607, Salt Lake City, Utah)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$19,500, and required to revise its written supervisory procedures concerning ACT compliance, best execution, limit-order display, registration of trades and supervisors, Small Order Execution System<sup>SM</sup> (SOES<sup>SM</sup>) compliance, books and records, locked and crossed markets, SEC 21(a) issues, and OATS compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker, it failed, within 90 seconds after execution, to transmit through ACT last-sale reports of transactions in OTC Equity securities; failed, within 90 seconds after execution, to transmit through ACT last-sale reports of transactions in OTC Equity securities; and failed to designate through ACT such last-sale reports as late. NASD also found that the firm failed to display immediately customer limit orders in NASDAQ securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a de minimis change in relation to the size associated with its bid or offer in each such security. In addition, the findings stated that the firm failed to show the time of entry on brokerage order memoranda, and failed to show the correct time of entry on other brokerage order memoranda. Furthermore, the firm's supervisory system failed to provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations concerning ACT compliance, best execution, limit-order display, registration of traders and supervisors, SOES compliance, books and records, locked and crossed markets, SEC 21(a) issues, and OATS compliance. (NASD Case #CMS020215)

**Roan-Meyers Associates, LP (CRD #34171, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$27,500. Without

admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to disclose, in writing, to public customers the existence of a potential control relationship between the firm and a public company. The findings also stated that the firm's written supervisory procedures were not consistently enforced and thereby caused disclosure violations. (NASD Case #C3A020053)

**Wedbush Morgan Securities, Inc. (CRD #877, Los Angeles, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$15,000, and required to undertake to revise the firm's written supervisory procedures regarding firm quote compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker in securities, it failed to execute orders upon presentment and thereby failed to honor its published quotation. The findings also stated that the firm's supervisory system failed to provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations concerning firm quote compliance. (NASD Case #CMS020210)

**Wedbush Morgan Securities, Inc. (CRD #877, Los Angeles, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker in securities, it was a party to a locked or crossed market condition prior to the market opening and received a Trade-or-Move message in each instance through SelectNet, and, within 30 seconds of receiving such messages, failed to fill the incoming Trade-or-Move message for the full size of the message or move its bid down (offer up) by a quotation increment that would have unlocked/uncrossed the market. The findings also stated that the firm caused a locked/crossed market condition prior to the market opening by entering a bid (ask) quotation that locked/crossed another market maker's quotations without immediately sending through SelectNet to the market maker(s) whose quote(s) it locked or crossed a Trade-or-Move message that was at the receiving market maker's quoted price and whose aggregate size was at least 5,000 shares. (NASD Case #CMS020212)

**Wedbush Morgan Securities, Inc. (CRD #877, Los Angeles, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to display immediately the customer limit orders in NASDAQ securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer in such security, and the size of the order represented more than a de minimis change in relation to the size associated with its bid or offer in each such security. (NASD Case #CMS020236)

**The (Wilson) Williams Financial Group, Inc. (CRD #22704, Dallas, Texas)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$17,500, and required to revise its written supervisory procedures concerning OATS. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to submit required information to OATS. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules concerning OATS. (NASD Case #CMS020220)

## Individuals Barred or Suspended

**Jeffrey Clyde Adams (CRD #2833013, Registered Representative, Lake Mary, Florida)** submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Adams consented to the described sanction and to the entry of findings that he effected unauthorized transactions in the accounts of public customers. The findings also stated that Adams created and transmitted to his member firm's clearing firm falsified and unauthorized requests for \$18,016 to be transferred from his firm's error account and credited to the accounts of public customers. NASD also found that Adams exercised discretion in effecting transactions in the account of a public customer without obtaining the discretionary authority in writing from the customer, and without having the account accepted as a discretionary account by his member firm. (NASD Case #C07020058)

**Douglas Alfieri (CRD #2625120, Registered Principal, East Rockaway, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Alfieri consented to the described sanction and to the entry of findings that he effected purchase transactions in a penny stock without complying with the disclosure and other requirements set forth under Section 15(g) of the Securities Exchange Act of 1934. The findings stated that Alfieri failed to disclose to public customers compensation of a penny stock he received. In addition, the findings stated that Alfieri failed to respond to NASD requests for documents and to appear for an on-the-record interview. (NASD Case #CAF020058)

**Arthur A. Anderson (CRD #4006436, Associated Person, Philadelphia, Pennsylvania)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Anderson issued \$44,100 in checks to himself, allegedly to replenish the firm's petty cash fund account; failed to deposit the checks into the account; and endorsed and deposited the checks into his own accounts, thereby converting

the funds to his own use and benefit. The findings also stated that Anderson failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C9A020024)

**Kevin Scott Anthony (CRD #1612027, Registered Representative, Wakarusa, Indiana)** submitted an Offer of Settlement in which he was fined \$2,500 and suspended from association with any NASD member in any capacity for three months. In light of the financial status of Anthony, the fine imposed was \$2,500. Without admitting or denying the allegations, Anthony consented to the described sanctions and to the entry of findings that he engaged in outside business activities, for compensation, and failed and neglected to give prompt written notice to his member firm.

Anthony's suspension began December 16, 2002, and will conclude March 15, 2003. (NASD Case #C8A020053)

**George Fleischer Balmer (CRD #1046182, Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member as a financial and operations principal (FINOP) for 60 business days concurrent with his present suspension as a FINOP, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Balmer consented to the described sanctions and to the entry of findings that a member firm, acting through Balmer, failed to maintain its minimum net capital requirement despite Balmer's knowledge that the firm required a significant capital infusion.

Balmer's suspension in any capacity began January 6, 2003, and will conclude at the close of business January 17, 2003. Balmer's suspension in a FINOP capacity began January 6, 2003, and will conclude at the close of business April 1, 2003. (NASD C10020113)

**Fred Baram (CRD #2690190, Registered Representative, Clifton, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Baram consented to the described sanction and to the entry of findings that he failed to disclose material facts on his Form U-4. The findings also stated that Baram failed to respond to NASD requests for information. (NASD Case #C9B020084)

**Harvey Bayard (CRD #1814426, Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$7,500 and suspended from association with any NASD member in any capacity for three months. The fine must be paid before Bayard reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without

admitting or denying the allegations, Bayard consented to the described sanctions and to the entry of findings that he participated in private securities transactions outside the regular scope of his employment with his member firms without providing prior written notice to his firms. The findings also stated that Bayard engaged in outside business activities outside the scope of his employment with member firms, for compensation, and failed to provide prompt written notice to his member firms.

Bayard's suspension began December 16, 2002, and will conclude March 15, 2003. (NASD Case #C10020112)

**Clifford Gorham Beckwith, Jr. (CRD #16546, Registered Principal, Naples, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 35 days. In light of the financial status of Beckwith, no monetary sanctions have been imposed. Without admitting or denying the allegations, Beckwith consented to the described sanction and to the entry of findings that a member firm, acting through Beckwith, failed to conduct an annual needs analysis and to prepare a training plan to comply with the Firm Element of the Continuing Education Program for two years. The findings also stated that the member firm, acting through Beckwith, failed to cause fees assessed as a result of an arbitration claim filed against the firm to be reflected on the firm's books and records as a liability. NASD also found that the member firm, acting through Beckwith, caused materially inaccurate FOCUS reports to be filed for two quarters, filed an annual audited report late, and conducted a securities business without maintaining its required minimum net capital.

Beckwith's suspension began January 6, 2003, and will conclude February 9, 2003. (NASD Case #C07020096)

**Michael Bruzzese (CRD #2663539, Registered Representative, Brooklyn, New York)** and **Nicholas John Mormando, Jr. (CRD #1986529, Registered Representative, Brooklyn, New York)** were each fined \$5,000. Bruzzese was suspended from association with any NASD member in any capacity for 31 days and ordered to pay \$10,074 in restitution to public customers. Mormando was suspended from association with any NASD member in any capacity for six months and ordered to pay \$282,176 in restitution to public customers. The National Adjudicatory Council (NAC) imposed the sanctions following its review of the District Business Conduct Committee's decision on remand. The sanctions were based on findings that Bruzzese and Mormando charged public customers unfair prices in principal sales of warrants.

Bruzzese's suspension began December 1, 2002, and concluded at the close of business December 31, 2002. Mormando's suspension began December 1, 2002, and will conclude at the close of business May 31, 2003. (NASD Case #C07970007)

**Shannon Dawayne Burgess (CRD #2993560, Registered Representative, Eima, Washington)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Burgess failed to disclose material information on his Form U-4 and failed to respond to NASD requests for information. (NASD Case #C3B020014)

**Ronald Roy Calaman (CRD #1165813, Registered Representative, Dushore, Pennsylvania)** submitted an Offer of Settlement in which he was fined \$50,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before Calaman reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. In light of the financial status of Calaman, a fine of \$50,000 was imposed. Without admitting or denying the allegations, Calaman consented to the described sanctions and to the entry of findings that he engaged in outside business activities, for compensation, and failed to provide his member firm with written notice.

Calaman's suspension began January 6, 2003, and will conclude at the close of business January 5, 2004. (NASD Case #C9A020013)

**Louis Ceasar Ceparano (CRD #2624648, Registered Principal, Melville, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and suspended from association with any NASD member in any capacity for 50 days. Without admitting or denying the allegations, Ceparano consented to the described sanctions and to the entry of findings that he effected purchase transactions in a penny stock without complying with the disclosure and other requirements set forth under Section 15(g) of the Securities Exchange Act of 1934. The findings stated that Ceparano failed to disclose to public customers compensation of a penny stock he received.

Ceparano's suspension began January 6, 2003, and will conclude at the close of business February 24, 2003. (NASD Case #CAF020061)

**William Pang Chien (CRD #2251029, Registered Principal, Plantation, Florida)** submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Chien consented to the described sanction and to the entry of findings that he caused \$350,500.87 to be wire transferred from the accounts of public customers to various bank accounts,

including accounts under his control, without the authorization of the customers, thereby converting customer funds. The findings also stated that Chien caused \$209,900 to be wire transferred from the accounts of public customers to various bank accounts, including accounts under his control, without the authorization of the customers, thereby misusing customer funds. In addition, NASD found that Chien failed to respond to NASD requests to provide sworn testimony. (NASD Case #C07020077)

**Edward Daniels (CRD #4215099, Associated Person, Harrisburg, Pennsylvania)** submitted an Offer of Settlement in which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 30 business days. The fine must be paid before Daniels reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Daniels consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U-4.

Daniels' suspension began December 16, 2002, and will conclude at the close of business January 29, 2003. (NASD Case #C9A020046)

**Douglas Edward Dougherty (CRD #1790400, Registered Representative, St. Joseph, Missouri)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dougherty consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. (NASD Case #C04020038)

**Patrick Michael Dunn (CRD #3219172, Registered Principal, Minneapolis, Minnesota)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$15,000, and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Dunn consented to the described sanctions and to the entry of findings that he permitted individuals associated with his member firm to engage in the securities business of the firm as sales representatives, while these individuals were not registered with NASD in any capacity.

Dunn's suspension began December 16, 2002, and concluded at the close of business January 14, 2003. (NASD Case #C04020040)

**Robert George Farrow (CRD #1005187, Registered Representative, Poland, Ohio)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Farrow consented to the described sanction and to the entry of findings that he

submitted sign-in sheets for presentations he purportedly conducted for groups of private-sector employees for compensation from his member firm based on the number of individuals attending the presentations and completing the sign-in sheets. The findings also stated that the submitted sign-in sheets were false because Farrow did not make presentations on the indicated dates and the individuals whose names appeared on the sheets did not attend the presentations on those dates. In addition, the findings stated that Farrow falsified the sign-in sheets by changing the dates on the sign-in sheets he obtained at earlier presentations he conducted and thereby received \$550 in compensation to which he was not entitled. (NASD Case #C8B020027)

**Edward Henry Fetzer, Jr. (CRD #1450286, Registered Representative, Camarillo, California)** submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for two months. Without admitting or denying the allegations, Fetzer consented to the described sanction and to the entry of findings that he failed to identify himself as a registered representative of a member firm when he posted messages on electronic bulletin boards regarding several securities from his office computer at a member firm and his home computer. The findings also stated that Fetzer had a position in these securities, and many of his customers traded these securities through accounts maintained at his member firm. In addition, NASD found that in many of these communications Fetzer directly or indirectly recommended the purchase of specific securities without providing, or offering to furnish upon request, available investment information to support his recommendation. NASD also found that in many of these communications, Fetzer omitted material information or risks associated with investing in these securities, made exaggerated or unwarranted claims regarding these securities, and predicted or projected investment results for these securities.

Fetzer's suspension began January 6, 2003, and will conclude at the close of business March 5, 2003. (NASD Case #CMS020226)

**Richard Scott From (CRD #703869, Registered Principal, Rocklin, California)** submitted an Offer of Settlement in which he was fined \$25,000, suspended from association with any NASD member in any capacity for 90 days, and required to pay \$96,166.20 in restitution to public customers. Restitution must be paid within 90 days of From's reassociation with any NASD member following the completion of the suspension. Without admitting or denying the allegations, From consented to the described sanctions and to the entry of findings that he recommended and sold shares of stock to public customers for which he received a bonus totaling \$96,166, and failed to disclose to customers that he was receiving a special bonus, commission, or sales credit amounting to 33 percent of the retail



sales price. The findings also stated that From knew, or should have known, that such prices were excessive and unfair, and that he was reckless in not knowing that these undisclosed bonuses represented material, financial self-interests in stock that were required to be disclosed to public customers.

In addition, the findings stated that From recommended the purchase of a penny stock to public customers and failed to furnish customers, prior to effecting transactions, a risk disclosure document containing the information required by the penny stock rules; failed to obtain a manually signed and dated written statement acknowledging receipt of such documents from customers prior to effecting transactions; failed to disclose to customers, orally or in writing, the inside bid and offer quotations prior to effecting transactions; and failed to provide the same in writing at, or prior to, the time of any written confirmation sent to the customer. NASD also found that From failed to keep and preserve records of such disclosure as required by the penny stock rules. Moreover, NASD found that From failed to disclose to customers, orally or in writing, the aggregate amount of cash compensation received (or to be received) from any source in connection with the transaction, including separate disclosure of the source and amount of such compensation not paid by the broker or dealer, and failed to provide the same in writing at, or prior to, the time of any written confirmation sent to the customer. NASD also found that From failed to keep and preserve records of such disclosures as required by the penny stock rules. Furthermore, NASD found that From recommended the purchase of shares of a security to public customers, and failed to disclose that he had entered into an agreement with the issuer to receive 120,000 shares, depriving his customers of material information needed to evaluate his recommendation.

From's suspension will begin January 24, 2003, and will conclude at the close of business April 23, 2003. (NASD Case #CMS020090)

**Robert Mark Fronjian (CRD #2156260, Registered Principal, Hoboken, New Jersey)** submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity and ordered to pay \$46,800, plus interest, in restitution to an investment club. The restitution must be paid before Fronjian requests any relief from any statutory disqualification. Without admitting or denying the allegations, Fronjian consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to provide prior written notice to, or receive prior written approval from, his member firm. The findings also stated that Fronjian converted \$46,800 of an investment club's funds for his personal use and benefit without the club's prior knowledge, authorization, or consent. Moreover, NASD found that Fronjian failed to provide timely and complete responses to NASD requests for information, and failed to respond truthfully during NASD on-the-record interviews. (NASD Case #C10010068)

**Aryeh Tzvi Goldbloom (CRD #2959600, Registered Representative, Chicago, Illinois)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 business days. The fine must be paid before Goldbloom reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Goldbloom consented to the described sanctions and to the entry of findings that he produced and distributed sales literature to public customers that contained a personalized illustration for a variable life insurance product sold through his member firm. NASD found that the personalized illustration produced and used by Goldbloom was deficient because it was not approved by signature or initial, prior to use or filing with NASD, by a registered principal of the firm, and that it was not filed with NASD Advertising Regulation within 10 days of first use or publication. In addition, NASD determined that the illustration failed to provide the investor with a sound basis for evaluating the facts regarding the securities product offered. The findings also stated that the personalized illustration failed to disclose that it was hypothetical, or to provide information explaining how the amount offered as "cash value at age 65" and the annual retirement income at ages 65-100 were derived. Moreover, NASD found that the claims that a variable life insurance policy will provide an "Annual Retirement Income" that is "Tax Free," or that the product can be considered an "Emergency Fund" are misleading, and each illustration included investment predictions and projections of "Cash Value at Age 65" and "Annual Retirement Incomes Ages 65-100" in violation of NASD Rule 2210(d)(2)(N).

Goldbloom's suspension began January 6, 2003, and will conclude at the close of business January 17, 2003. (NASD Case #C8A020082)

**Mitchell Louis Goldberg (CRD #1386682, Registered Principal, Syosset, New York)** submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for four and one-half months. In light of the financial status of Goldberg, no monetary sanctions have been imposed. Without admitting or denying the allegations, Goldberg consented to the described sanction and to the entry of findings that, in connection with the purchase or sale of a security, through means or instrumentalities of interstate commerce or of the mails, he intentionally, knowingly, or recklessly employed a device, scheme, contrivance, and artifice to defraud, and manipulative, deceptive, or other fraudulent device or contrivance; omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices, or courses of business that operated as a fraud or deceit upon public customers. Goldberg effected transactions in the accounts of public customers without their prior knowledge, authorization, or consent. The findings also stated that Goldberg intentionally and/or recklessly

made material, misleading, and false representations that were without a reasonable basis and failed to disclose material information in an effort to induce public customers to ratify unauthorized transactions. NASD also found that Goldberg failed to execute customer sell orders. In addition, NASD found that Goldberg failed to record accurately on his member firm's books and records the residential address of a public customer in an attempt to circumvent state Blue Sky laws and established an account at his member firm for the customer under the home address of, and in the care of, the customer's father who lived in another state.

Goldberg's suspension began January 2, 2003, and will conclude at the close of business May 16, 2003. (NASD Case #C10010042)

**Giovanni Granata (CRD #1633232, Registered Representative, Paterson, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Granata consented to the described sanction and to the entry of findings that he altered trade confirmations and an IRS Form 1099 to falsely reflect that loans, which public customers had previously provided to one of Granata's outside businesses, had been effected through his member firm when, in fact, neither loan had been effected through his member firm. The findings also stated that Granata provided the altered document to a customer, thereby misrepresenting the origin of the loans. In addition, the findings stated that Granata engaged in outside business activities without providing prompt written notification to his member firm. (NASD Case #C9B020083)

**Jesse Charles Hicks (CRD #1151297, Registered Representative, Humble, Texas)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$14,680, including disgorgement of \$4,680 in commissions, and suspended from association with any NASD member in any capacity for two months. The fine must be paid before Hicks reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Hicks consented to the described sanctions and to the entry of findings that he participated in business activity for which he received compensation without providing prior written notice to his member firm.

Hicks' suspension began December 16, 2002, and will conclude February 15, 2003. (NASD Case #C05020054)

**James Edward Hurley (CRD #2626141, Registered Representative, Plano, Texas)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Hurley caused checks totaling \$186,000 to be drawn on the variable annuity account of a public customer without the customer's knowledge or consent. The findings also stated that Hurley retrieved disbursed annuity checks from the

customer's mail, forged her or her daughter's signatures on the checks, endorsed the checks, and deposited them into his personal bank account, thereby converting the funds to his own use and benefit. NASD also found that Hurley failed to respond to NASD requests for information. (NASD Case #C06020005)

**Adam Harold Kaplan (CRD #2436956, Registered Representative, Brooklyn, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before Kaplan reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Kaplan consented to the described sanctions and to the entry of findings that he committed unauthorized transactions during an initial public offering of common stock and warrants in the accounts of public customers.

Kaplan's suspension began December 2, 2002, and will conclude at the close of business December 1, 2003. (NASD Case #CAF020056)

**Peter Russell Kolesar (CRD #1440763, Registered Representative, Paradise Valley, Arizona)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. In light of the financial status of Kolesar, no monetary sanction has been imposed. Without admitting or denying the allegations, Kolesar consented to the described sanction and to the entry of findings that he engaged in private securities transactions, for compensation, and failed to provide prior written notification to, or obtain written approval from, his member firm. (NASD Case #C3A020050)

**Stephen Mero Kolesar (CRD #734899, Registered Representative, Chandler, Arizona)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. In light of the financial status of Kolesar, no monetary sanction has been imposed. Without admitting or denying the allegations, Kolesar consented to the described sanction and to the entry of findings that he engaged in private securities transactions, for compensation, and failed to provide prior written notification to, or obtain written approval from, his member firm. (NASD Case #C3A020051)

**Lance Lipoufski (CRD #2467915, Registered Representative, Waco, Texas)** submitted a Letter of Acceptance, Waiver, and Consent, in which he was fined \$5,000, suspended from association with any NASD member in any capacity for six months, and ordered to disgorge \$14,700, plus interest, in commissions received to be paid as restitution to public customers. The fine and restitution must be paid before Lipoufski reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations,

Lipoufski consented to the described sanctions and to the entry of findings that he engaged in an outside business activity without providing prompt written notice to his member firm.

Lipoufski's suspension began January 6, 2003, and will conclude July 5, 2003. (NASD Case #C06020021)

**David Marciano (CRD #2897457, Associated Person, Brooklyn, New York)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Marciano failed to respond to NASD requests for information and willfully failed to disclose a material fact on his Form U-4. The findings also stated that Marciano provided a false response on his member firm's annual Employment Acknowledgement and Certification form. (NASD Case #C10020038)

**Harrison Margolin (CRD #1198868, Registered Representative, Aventura, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 90 days. Without admitting or denying the allegations, Margolin consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to, or receiving written permission from, his member firm.

Margolin's suspension began December 16, 2002, and will conclude March 15, 2003. (NASD Case #C07020095)

**Charles Gerard McKenna (CRD #2158242, Registered Principal, Port Jefferson, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McKenna consented to the described sanction and to the entry of findings that he received \$23,800 from a public customer for deposit in the customer's variable annuity contract and converted the funds for his own use and benefit without the customer's prior knowledge, authorization, or consent. (NASD Case #CLI020013)

**Martin Herbert Meckler (CRD #1203608, Registered Principal, Manteca, California)** was fined \$27,550, barred from association with any NASD member in any principal capacity, and suspended from association with any NASD member in any other capacity for six months. The sanctions were based on findings that Meckler engaged in outside business activities for compensation, without providing prompt written notice to his member firm.

Meckler's suspension began November 18, 2002, and will conclude May 17, 2003. (NASD Case #C01020003)

**David Brian Miller (CRD #2666188, Registered Representative, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$20,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam for Series 7 General Securities Representative before again serving in that capacity. Without admitting or denying the allegations, Miller consented to the described sanctions and to the entry of findings that he effected purchase transactions in a penny stock without complying with the disclosure and other requirements set forth under Section 15(g) of the Securities Exchange Act of 1934. The findings also stated that Miller failed to disclose to public customers compensation of a penny stock he received.

Miller's suspension began January 6, 2003, and will conclude July 5, 2003. (NASD Case #CAF020062)

**Herbert Mario Miller (CRD #1394124, Registered Representative, Grand Island, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Miller consented to the described sanction and to the entry of findings that he received \$70,892.90 from public customers to be applied to a variable universal life insurance policy or to be deposited in customer American Express accounts, failed to apply the funds as intended or in any other manner for the benefit of the customers, and, instead, used the funds for his own benefit. The findings also stated that Miller failed to respond to NASD requests for documents and information. (NASD Case #C8B020028)

**Ivanka Niksich (CRD #2578752, Associated Person, Crete, Illinois)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Niksich failed to respond to NASD requests for information. The findings also stated that Niksich failed to disclose material information on her Form U-4. (NASD Case #C8A020044)

**Ryan Webb O'Donnell (CRD #1042100, Registered Representative, Vancouver, Washington)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 60 days. The fine must be paid before O'Donnell reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, O'Donnell consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to, and approval from, his member firm.

O'Donnell's suspension began January 6, 2003, and will conclude at the close of business March 6, 2003. (NASD Case #C3B020021)

**Joel Parker (CRD #2528811, Associated Person, Aurora, Colorado)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Parker willfully failed to disclose material information on his Form U-4. (NASD Case #C3A020030)

**Larry Michael Pence (CRD #359671, Registered Principal, Omaha, Nebraska)** submitted a Letter of Acceptance, Waiver, and Consent, in which he was fined \$20,000 and suspended from association with any NASD member in any capacity for 60 days. Without admitting or denying the allegations, Pence consented to the described sanctions and to the entry of findings that he submitted a fictitious invoice to a company for reimbursement to his member firm of purported printing expenses totaling \$2,165, although no such expenses had been incurred at that time by his member firm.

Pence's suspension began December 13, 2002, and will conclude at the close of business February 11, 2003. (NASD Case #C04020039)

**Rhonda Luke Rauch (CRD #2958251, Registered Representative, Lancaster, Ohio)** submitted an Offer of Settlement in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rauch consented to the described sanction and to the entry of findings that she submitted expense reports to her member firm seeking reimbursement for business-related travel expenses she purportedly incurred when, in fact, she had not incurred these expenses. The findings also stated that Rauch created fictitious receipts and submitted expense reports supported by the fictitious receipts in an attempt to obtain reimbursement of \$3,688.65 to which she was not entitled. (NASD Case #C8B020026)

**David Alan Rice (CRD #716832, Registered Representative, Owatonna, Minnesota)** submitted a Letter of Acceptance, Waiver, and Consent, in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Rice consented to the described sanction and to the entry of findings that he engaged in outside business activities, for compensation, without providing prompt prior written notice to, or receiving approval from, his member firm.

Rice's suspension began November 27, 2002, and concluded at the close of business December 26, 2002. (NASD Case #C04020042)

**Thomas Michael Rossi (CRD #2333282, Registered Principal, Bayside, New York)** submitted an Offer of Settlement in which he was fined \$105,000, barred from association with any NASD

member in any capacity, and required to pay restitution in the amount of \$78,385.00 to public customers. The fine and restitution amount must be paid before Rossi reassociates with any NASD member or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Rossi consented to the described sanctions and to the entry of findings that despite the explicit orders of a public customer, he entered unauthorized trades in the accounts of public customers. The findings also stated that Rossi failed to preserve books and records of his member firm in a readily accessible place pursuant to SEC Rule 17a-4. In addition, Rossi failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C3A020031)

**Carl Vincent Rumpke (CRD #2732197, Registered Representative, Elmont, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$11,500, including disgorgement of \$4,000 in commissions payable to NASD, and suspended from association with any NASD member in any capacity for nine months. The fine must be paid before Rumpke reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Rumpke consented to the described sanctions and to the entry of findings that he engaged in private securities transactions, for compensation, and failed to provide prior written notification to, or obtain written approval from, his member firm.

Rumpke's suspension began January 6, 2003, and will conclude October 5, 2003. (NASD Case #C10020118)

**Frank Matthew Savasta (CRD #2687410, Registered Representative, Bellmore, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Savasta consented to the described sanction and to the entry of findings that he effected purchase transactions for a penny stock without complying with the disclosure and other requirements set forth under Section 15(g) of the Securities Exchange Act of 1934. The findings also stated that Savasta failed to respond to NASD requests for information and documents and to appear for an on-the-record interview. (NASD Case #CAF020059)

**Howard William Schwartz (CRD 2706982, Registered Representative, Rego Park, New York)** was barred from association with any NASD member in any capacity and ordered to pay \$350 in restitution to a public customer. The sanctions were based on findings that Schwartz engaged in unauthorized transactions in the account of a public customer; told the customer that a transaction had been cancelled when he knew that his statement was false, misleading, and inaccurate; and failed to advise the customer that his member firm had sold stock in the customer's account to pay for the original stock

purchase. The findings also stated that Schwartz failed to respond accurately, non-deceptively, or completely to NASD requests for information. (NASD Case #C10020052)

**Michael Wayne Smith (CRD #2099616, Registered Representative, Yachats, Oregon)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Smith consented to the described sanction and to the entry of findings that he willfully failed to disclose material facts on his Forms U-4. (NASD Case #C3B020020)

**Jerome Louis Stachura (CRD #2243979, Registered Representative, Bensalem, Pennsylvania)** was fined \$6,000, including \$1,000 in disgorgement, and suspended from association with any NASD member in any capacity for four months. The sanctions were based on findings that Stachura participated in private securities transactions and failed to give his member firms prior notification of his intended participation in the transactions or to request or receive authorization from his member firms to participate in the transactions.

Stachura's suspension began December 2, 2002, and will conclude at the close of business April 2, 2003. (NASD Case #C9A020030)

**Penny Ann St. James (CRD #4339548, Registered Representative, Bonsall, California)** submitted a Letter of Acceptance, Waiver, and Consent, in which she was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. The fine must be paid before St. James reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, St. James consented to the described sanctions and to the entry of findings that she affixed the signature of a public customer on a new account disclosure form without the customer's knowledge or consent.

St. James' suspension will begin February 3, 2003, and will conclude at the close of business March 4, 2003. (NASD Case #C02020056)

**Kert Lynn St. John (CRD #2743132, Registered Representative, San Diego, California)** submitted a Letter of Acceptance, Waiver, and Consent, in which he was fined \$75,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before St. John reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, St. John consented to the described sanctions and to the entry of findings that he recommended an investment strategy for the accounts of public customers that was unsuitable for the customers in view of the frequency and nature of the recommended transactions and the customers' financial

situation, objectives, circumstances, and needs. The findings also stated that St. John exercised discretionary power in the accounts of public customers without prior written authorization from the customers and acceptance in writing by his member firm of the accounts as discretionary.

St. John's suspension began January 6, 2003, and will conclude at the close of business January 5, 2005. (NASD Case #C02020054)

**Nicholas Frank Stranges (CRD #2165799, Registered Representative, Hummelstown, Pennsylvania)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Stranges consented to the described sanction and to the entry of findings that he participated in private securities transactions outside the scope of his employment with his member firms and failed to provide prior written notice of his proposed participation in the transactions to his firms. The findings also stated that Stranges failed to respond to NASD requests to appear and testify under oath. (NASD Case #C9A020051)

**Stephen Michael Thompson (CRD #714882, Registered Representative, Duluth, Georgia)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$46,000, including disgorgement of \$41,020 of earned commissions, and suspended from association with any NASD member in any capacity for seven months. The fine must be paid before Thompson reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Thompson consented to the described sanctions and to the entry of findings that he participated in outside business activities, for compensation, and failed to provide prompt written notice to his member firm.

Thompson's suspension began December 16, 2002, and will conclude at the close of business July 15, 2003. (NASD Case #C07020094)

**Dana Wallace (CRD #1858598, Registered Representative, El Sobrante, California)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wallace consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information and documents. (NASD Case #C01020020)

**Brendan Conley Walsh (CRD #228232, Registered Representative, Greenbrae, California)** was fined \$56,000, and suspended from association with any NASD member in any capacity for 90 days. The sanctions were based on findings that Walsh participated in private securities transactions, for compensation, without giving prior written notice to, and obtaining written permission, from his member firms.

Walsh's suspension began December 2, 2002, and will conclude March 2, 2003. (NASD Case #C01010018)

**Peter Jason Worrell (CRD #2603781, Registered Principal, Syosset, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000, suspended from association with any NASD member in any capacity for seven months, and required to requalify by exam for Series 7 General Securities Representative before again serving in that capacity. The fine must be paid before Worrell reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Worrell consented to the described sanctions and to the entry of findings that he effected purchase transactions in a penny stock without complying with the disclosure and other requirements set forth under Section 15(g) of the Securities Exchange Act of 1934. The findings also stated that Worrell failed to disclose to public customers compensation of a penny stock he received.

Worrell's suspension began December 16, 2002, and will conclude at the close of business July 15, 2003. (NASD Case #CAF020060)

**Christian M. Zuelch (CRD #2709259, Registered Representative, Key West, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$30,000, including disgorgement of \$27,300 in earned commissions, and suspended from association with any NASD member in any capacity for one year. The fine must be paid before Zuelch reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Zuelch consented to the described sanctions and to the entry of findings that he participated in an outside business activity, for compensation, without providing prompt written notice to his member firm.

Zuelch's suspension began December 2, 2002, and will conclude at the close of business December 1, 2003. (NASD Case #C07020090)

## Individuals Fined

**Steven Arthur Levine (CRD #2714473, Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was censured and fined \$10,000. Without admitting or denying the allegations, Levine consented to the described sanctions and to the entry of findings that he engaged in activities requiring a general securities principal registration without being so registered. (NASD Case #C10020109)

**Weifeng Wen (CRD #2912727, Registered Representative, Harrison, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was censured and fined

\$10,137.50, including disgorgement of \$6,637.50 in trading profits. The fine must be paid before Wen reassociates with any NASD member or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Wen consented to the described sanctions and to the entry of findings that he opened a securities account at another member firm and placed orders for the purchase and sale of securities with the firm without informing his member firm and, prior to opening the account and placing the orders, failed to inform the executing firm of his association with another member firm. The findings also stated that Wen, through his member firm, purchased shares of securities in initial public offerings (IPOs) and sold the shares in the immediate aftermarket making the securities "hot issues" thereby violating NASD's Free-Riding and Withholding Interpretation. (NASD Case #C10020111)

## Decision Issued

The following decision has been issued by the DBCC or the Office or Hearing Officers and has been appealed to or called for review by the NAC as of November 14, 2002. The findings and sanctions imposed in the decision may be increased, decreased, modified, or reversed by the NAC. Initial decisions whose time for appeal has not yet expired will be reported in the next *Notices to Members*.

**Reynolds Michael Verdiner (CRD #2858516, Registered Representative, Brooklyn, New York)** was fined \$20,000 and suspended from association with any NASD member in any capacity for four months. The sanctions were based on findings that Verdiner opened accounts for public customers without authorization and effected unauthorized transactions in the accounts.

Verdiner has appealed this decision to the NAC, and the sanctions are not in effect pending consideration of the appeal. (NASD Case #CAF020004)

## Complaints Filed

The following complaints were issued by NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are adjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

**Marcell Ray Bridges (CRD #3074654, Associated Person, Sacramento, California)** was named as a respondent in an NASD complaint alleging that he made improper use of \$56,789.41 from the accounts of public customers by transferring customer funds directly from their accounts at

his member firm into bank accounts in his name or the name of another individual. The complaint also alleges that Bridges failed to respond to NASD requests for information and documentation. (NASD Case #C01020019)

**Richard David Bukowski (CRD #1234505, Registered Representative, Greenfield, Massachusetts)** was named as a respondent in an NASD complaint alleging that he converted insurance customer funds totaling \$35,000 by accepting checks from public customer funds and depositing a portion of the funds into a bank account and taking the balance for himself. The complaint also alleges that Bukowski transferred insurance customer funds from one bank account into his own bank account for his own use and benefit without customer authorization. The complaint further alleges that Bukowski failed to respond to NASD requests for information. (NASD Case #C11020045)

**Donald Greg Gary (CRD #1746150, Registered Representative, Longwood, Florida)** was named as a respondent in an NASD complaint alleging that he received \$25,466.59 for deposit in the retirement accounts of public customers and converted the funds to his own use and benefit by depositing the funds into his own personal bank account. The complaint also alleges that Gary failed to respond to NASD requests for information. (NASD Case #C07020099)

**John Goodish (CRD #1411721, Registered Representative, Oakland Park, Florida)** was named as a respondent in an NASD complaint alleging that he received a \$6,050.18 check from a public customer to purchase a variable universal life insurance policy, endorsed the check, failed to deposit the check as directed, and converted the funds for other purposes. The complaint also alleges that Goodish failed to respond to NASD requests for information. (NASD Case #C07020098)

**Mark Warren Lamb (CRD #1437554, Registered Representative, Woodside, California)** and **David Scott Cacchione (CRD #1941729, Registered Representative, Woodside, California)** were named as respondents in an NASD complaint alleging that they effected the sale of securities without registration under the federal securities laws and without an applicable exemption from registration. The complaint also alleges that Lamb assisted in the sale by coordinating the pricing and the tickets for the purchase of additional shares by public customers of other firm brokers. In addition, the complaint alleges that Lamb took volume and pricing instructions from an individual with no authorization over an account, and failed to promptly inform his member firm's trading department about the receipt of order tickets so that the trades could be reported within 90 seconds of execution. Moreover, the complaint alleges that during the offer and sale of unregistered securities, Lamb and Cacchione failed to disclose material facts that the shares were neither registered nor exempt from registration, nor that an unauthorized third party was

involved in the sale and pricing of the stock. Furthermore, the complaint alleges that Lamb failed to disclose that the prices given to certain public customers who purchased the stock were materially different from prices given to other customers at virtually the same time, and that the firm delayed the inputting and trade reporting of the securities sales after firm customers agreed to purchase the stock. (NASD Case #CAF020053)

**Nicholas John Lomax (CRD #4026204, Registered Representative, Lansing, Michigan)** was named as a respondent in an NASD complaint alleging that he received \$778 from a public customer to be used to purchase automobile insurance for the customer, and failed to follow the customer's instructions, in that he used the funds for some purpose other than the benefit of the customer. The complaint also alleges that Lomax failed to respond to NASD requests for documents and information. (NASD Case #C8A020083)

**Guang Lu (CRD #2691821, Registered Representative, Gaithersburg, Maryland)** was named as a respondent in an NASD complaint alleging that he used discretionary authority to execute options trades in the account of a public customer at a member firm and failed to provide written notice to the firm or his member firm of his association with the other firm. The complaint also alleges that Lu effected options transactions in the accounts of a public customer without the customer's authorization or consent and, using discretionary authority, recommended and engaged in frequent options transactions for the accounts without reasonable grounds for believing that these recommendations and resulting transactions were suitable based on the frequency of the transactions, the customer's financial situation and investment objectives, and the needs for both accounts. In addition, the complaint also alleges that Lu told a public customer to state false information on her option application and exercised discretion in the customer's account without her prior written authorization and the prior written acceptance of the account as discretionary by his member firm. Moreover, the complaint alleges that Lu willfully failed to disclose material information on his Form U-4. (NASD Case #C9A020052)

**Kenneth Wayne Robinson (CRD #1886846, Registered Representative, Houston, Texas)** was named as a respondent in an NASD complaint alleging that he engaged in a scheme to purchase and sell securities in the form of put and call options in his cash and margin accounts at his member firm without having the ability or intent to pay for the purchases. The complaint also alleges that Robinson caused his member firm to defer the deposit of cash and securities beyond the time when such transactions would normally be settled or to meet the margin requirements by the liquidation of securities in his margin account. In addition, the complaint alleges that Robinson intentionally or recklessly misrepresented or omitted to disclose the material facts to his member firm that he could not, or did not, intend to pay for his securities transactions, thereby causing

his firm to unwittingly assume the risk of his trading activities. The complaint further alleges that Robinson failed to respond to NASD requests for information. (NASD Case #C06020020)

**Lionel James Sanchez (CRD #1782052, Registered Principal, Albuquerque, New Mexico)** was named as a respondent in an NASD complaint alleging that he recommended and effected securities transactions in the accounts of public customers without having reasonable grounds for believing that his recommendations and resultant sales were suitable based on other security holdings and the financial situation and needs of the customers. The complaint also alleges that Sanchez failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C3A020052)

**Michael Frederick Siegel (CRD #1001893, Registered Representative, Metairie, Louisiana)** was named as a respondent in an NASD complaint alleging that he recommended and effected the sales of securities to public customers without having reasonable grounds for believing that the recommendations and resultant sales were suitable for the customers. The complaint also alleges that Siegel participated in private securities transactions without prior written notice to, and approval from, his member firm. (NASD Case #C05020055)

## **Firms Expelled for Failing to Pay Fines and/or Costs in Accordance with NASD Rule 8320**

**Alexander, Wescott & Co., Inc.**  
Utica, New York  
(November 12, 2002)

**American Investment Services**  
Oklahoma City, Oklahoma  
(November 12, 2002)

**Grady and Hatch & Company, Inc.**  
Staten Island, New York  
(November 12, 2002)

## **Firm Suspended for Failure to Supply Financial Information**

The following firm was suspended from membership in NASD for failure to comply with formal written requests to submit financial information to NASD. The action was based on the provisions of NASD Rule 8221. The date the suspension commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

**Point Direx Securities, LLC**  
Orlando, Florida  
(November 11, 2002)

## **Firm Suspended Pursuant to NASD Rule Series 9510 for Failure to Comply With an Arbitration Award, a Settlement Agreement, or Arbitration Fees**

The date the registration was suspended is included after the entry. If the firm has complied, the listing also includes the date the suspension was lifted.

**Perpetual Securities, Inc.**  
New York, New York  
(November 25, 2002)

Perpetual Securities, Inc. has appealed this decision to the SEC. In addition, the firm filed a motion with the SEC to stay the effectiveness of NASD action suspending its registration for failure to pay an arbitration award. NASD opposed the firm's stay request. The SEC denied the firm's motion for a stay, pending its review, of NASD action suspending its registration.



## **Suspension Lifted**

NASD has lifted the suspension from membership on the date shown for the following firm because it has complied with formal written requests to submit financial information.

**Gem Advisors, Inc.**  
New York, New York  
(November 12, 2002)

## **Individuals Barred Pursuant to NASD Rule 9544 for Failure to Provide Information Requested Under NASD Rule 8210.**

(The date the bar became effective is listed after the entry.)

**Crosby, David**  
Sandy, Utah  
(November 8, 2002)

**Delosh, Rey A.**  
Clearwater, Florida  
November 25, 2002)

**Dodd, Thomas R.**  
Venice, Florida  
(November 13, 2002)

**Fleitz, Chad Alan**  
Toledo, Ohio  
(November 4, 2002)

**Frankfurter, Patrick N.**  
Commerce City, Colorado  
(December 2, 2002)

**Jacks, Roger W.**  
Kansas City, Missouri  
(November 18, 2002)

**Karahalios, Perry P.**  
Des Plaines, Illinois  
(December 4, 2002)

**Kim, Jungmin**  
Pasadena, California  
(December 2, 2002)

**Kourzanov, Oleg V.**  
Edgewater, New Jersey  
(December 2, 2002)

**Melton, Thomas**  
Visalia, California  
(December 2, 2002)

**Miranda, Nilsa M.**  
Chicago, Illinois  
December 2, 2002)

**Torres, Ricardo M.**  
Miami, Florida  
(November 4, 2002)

**Travale, Stephen D.**  
Lauderhill, Florida  
(November 21, 2002)

## **Individuals Suspended Pursuant to NASD Rule 9541(b) for Failure to Provide Information Requested Under NASD Rule 8210.**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

**Banda, James C.**  
Sagamore Hills, Ohio  
(December 4, 2002)

**Berry, Daniel J.**  
Bronx, New York  
(November 18, 2002)

**Brush, Bryan R.**  
Garden City, New York  
(November 8, 2002)

**Curry, Richard H.**  
Sugarland, Texas  
(December 6, 2002)

**Patterson, Jr., Melvin**  
San Jose, California  
(November 14, 2002)

**Weiss, Barry**  
Marietta, Georgia  
(November 18, 2002)

**Individuals Suspended Pursuant to NASD  
Rule Series 9510 for Failure to Comply  
With an Arbitration Award or a Settlement  
Agreement**

**Baker, Wendell L.**  
Toluca Lake, California  
(November 25, 2002)

**Bernstein, Michael J.**  
Freehold, New Jersey  
(December 5, 2002)

**Perelman, Robert A.**  
Encino, California  
(November 26, 2002)

**Schiro, Patrick Morgan**  
Lake Success, New York  
(November 21, 2002 – December 11, 2002)

**Individuals Suspended Pursuant to NASD  
Rule Series 9531 for Failure to Pay  
Arbitration Fees**

**Lane, Tommy Bert**  
Riverview, Florida  
(November 8, 2002)

**Levin, Myrna Shafer**  
Media, Pennsylvania  
(November 1, 2002)

**Individual Revoked for Failing to Pay Fines  
and/or Costs in Accordance with NASD  
Rule 8320**

**Linzer, Edward**  
Mineola, New York  
(November 12, 2002)